

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-11 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 XMB-07 OPIC-12 SP-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-07 SS-20 STR-08

CEA-02 PA-04 PRS-01 USIA-15 IO-14 NEA-10 DRC-01 /170 W
----- 129547

P R 080616Z APR 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 2574

INFO AMEMBASSY BANGKOK

AMEMBASSY KUALA LUMPUR PRIORITY

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USADB

FOR NAC AGENCIES

E.O. 11652: ADS, DECLAS 7/8/74

TAGS: EAID, EFIN, MY

SUBJ: PROPOSED ADB LOAN FOR PENANG PORT EXPANSION
PROJECT (MALAYSIA)

REF: STATE 66490

SUMMARY: ADB MANAGEMENT PROPOSES \$15.1 MILLION EQUIVALENT
LOAN FROM ORDINARY CAPITAL RESOURCES TO GOVT OF MALAYSIA
TO FINANCE FOREX COST OF EXTENSION OF PENANG PORT WHARVES
AT BUTTERWORTH FROM FIVE BERTHS TO SIX BERTHS INCLUDING
CARGO HANDLING EQUIPMENT FOR GENERAL CARGO, AND BULK
CARGO TERMINAL INCLUDING A MECHANICAL CARGO HANDLING
SYSTEM. USADB RECOMMENDS FAVORABLE NAC ACTION.

1. ADB DOC R31-74 WITH ATTACHMENTS DESCRIBING PROPOSED
LOAN POUCHED ADDRESSEES MARCH 28. BOARD CONSIDERATION
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SCHEDULED APRIL 18.

2. ADB MANAGEMENT PROPOSING \$15.1 MILLION LOAN FROM ORDINARY CAPITAL RESOURCES TO GOVT OF MALAYSIA. PROCEEDS WILL FINANCE FOREX COST OF CONSTRUCTION OF ONE BERTH AT BUTTERWORTH WHARVES ON MAINLAND OF PENANG STATE, WEST MALAYSIA, TO BE EQUIPPED WITH TRANSIT SHED AND SUFFICIENT CARGO HANDLING EQUIPMENT TO OPERATE BERTH EFFICIENTLY. PROJECT ALSO INCLUDES CONSTRUCTION OF BULK CARGO TERMINAL ON MAINLAND IN VICINITY OF PRAI INCLUDING PROVISION OF NECESSARY CARGO HANDLING SYSTEMS TO EFFECTIVELY LOAD/UNLOAD SHIPS AT BERTH AND CONVEY CARGO TO /FROM BULK CARGO STORAGE AREA. PROPOSED TERMS ARE 25-YEAR AMORTIZATION INCLUDING 4-YEAR GRACE PERIOD, 7 1/2 PERCENT INTEREST. GOVT OF MALAYSIA TO BE BORROWER AND PENANG PORT COMMISSION (PPC) THE EXECUTING AGENCY. GOVT WILL RELEND PROCEEDS OF LOAN TO PPC ON TERMS AND CONDITIONS SATISFACTORY TO BANK.

3. PENANG PORT IS SECOND MAJOR PORT IN WEST MALAYSIA, NEXT TO PORT KLANG (SWETTENHAM) BOTH OF THESE INTERNATIONAL DEEPWATER PORTS ARE ON WEST COAST. PORT KLANG, LOCATED ALMOST MIDWAY BETWEEN PENANG AND JOHORE BAHRU, SERVES MOST POPULOUS AND DEVELOPED AREA OF COUNTRY INCLUDING INDUSTRIAL AREAS LOCATED IN VICINITY OF KUALA LUMPUR. PENANG PORT, SITUATED IN NORTHWEST OF WEST MALAYSIA, IS LOCATED PARTLY ON PENANG ISLAND AND PARTLY AT BUTTERWORTH ON MAINLAND.

4. EXISTING FACILITIES AT PENANG PORT ARE INADEQUATE FOR PRESENT TRAFFIC VOLUME. BUTTERWORTH WHARVES ALREADY OPERATING OVER CAPACITY AND DELAYS TO SHIPS ARE FREQUENT AND INCREASING RAPIDLY. SPACE AVAILABLE IS SUFFICIENT FOR ONLY ONE BERTH AT WHAREVES AND EXTENSION OF EXISTING WHARVES IS IN ACCORDANCE WITH ORIGINAL LAYOUT/PLAN. AT PRESENT, THERE ARE NO ALONGSIDE BERTHING FACILITIES TO HANDLE GROWING VOLUME OF BULK CARGO EXCEPT FOR PRIVATE JETTIES OWNED BY OIL COMPANIES. DRY BULK CARGOS MUST, THEREFORE, BE HANDLED AT RELATIVELY LOW RATE OF OUTPUT USING LIGHTERS.

5. PROPOSED PROJECT PROVIDES FOR EXTENSION OF BUTTER-LIMITED OFFICIAL USE

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WORTH WHARVES FROM FIVE BERTHS TO SIX BERTHS, WHICH WILL BE EQUIPPED WITH TRANSIT SHED AND SUFFICIENT CARGO HANDLING EQUIPMENT TO OPERATE BERTH EFFICIENTLY. 530 FT. GENERAL CARGO BERTH WILL BE CONNECTED WITH EXISTING ROAD AND RAIL NETWORK. PROJECT ALSO INCLUDES CONSTRUCTION OF BULK CARGO TERMINAL ON MAINLAND IN VICINITY OF LARGE PRAI INDUSTRIAL ESTATES, WHICH CATERS TO INDUSTRIES REQUIRING WATER TRANSPORTATION FOR EITHER THEIR RAW MATERIAL NEEDS

OR EXPORT OF THEIR PRODUCTION, AND OTHER NEARBY INDUSTRIAL AREAS. BULK CARGO TERMINAL INVOLVES 400 FT. JETTY HEAD WITH DETACHED MOORING DOLPHINS AND LINKED TO A BULK STORAGE YARD ON SHORE BY 5200 FT. APPROACH JETTY. RE-CLAMATION OF 37 ACRES OF LAND ALSO REQUIRED. HIGH-SPEED BULK-CARGO LOADING AND UNLOADING EQUIPMENT WILL BE ACQUIRED FOR TERMINAL. OPERATION AND MAINTENANCE OF TERMINAL REQUIRES EFFICIENT AND WELL-TRAINED ORGANIZATION, AND EXECUTING AGENCY HAS ASSURED THAT NEW UNIT FOR ITS OPERATION AND MAINTENANCE WILL BE ESTABLISHED BY END 1976 AND BE TRAINED IN OPERATION OF FACILITY IN CONSULTATION WITH BANK. IMPLEMENTATION SCHEDULE ENVISAGES COMPLETION OF ALL FACILITIES IN ABOUT THREE YEARS, WITH GENERAL CARGO BERTH OPERATION BY END 1976 AND BULK CARGO TERMINAL BY MID 1977. UPON COMPLETION OF PROJECT, GENERAL CARGO HANDLING CAPACITY OF BUTTERWORTH WHARVES WILL BE INCREASED FROM 1.25 MILLION TONS PER YEAR TO ABOUT 1.5 MILLION TONS WHICH IS EXPECTED TO BE REACHED IN 1978. BULK CARGO TERMINAL WILL PROVIDE ABOUT 1.2 MILLION TONS PER YEAR OF BULK CARGO HANDLING CAPACITY WHICH IS EXPECTED TO ACCOMMODATE INCREASING VOLUME OF BULK CARGO UP TO 1981.

6. TOTAL COST OF PROJECT ESTIMATED AT \$23.9 MILLION, OF WHICH ENTIRE \$15.1 MILLION FOREX COST PROPOSED FOR BANK FINANCING. LOCAL CURRENCY COMPONENT OF \$8.8 MILLION EQUIVALENT TO BE FINANCED BY PPC FROM ITS OWN FUNDS. ABOVE COST EXCLUDES \$1.1 MILLION COST OF MALAYSIA OF ENGINEERING SERVICES, AS PPC, IN ORDER TO HAVE PROPOSED FACILITIES OPERATIONAL AT EARLIEST DATE, DESIRES TO CONTINUE SERVICES OF CONSULTANTS PREVIOUSLY ENGAGED FOR PROJECT'S TECHNICAL FEASIBILITY STUDIES-- SIR BRUCE WHITE, WOLFE BARRY AND PARTNERS OF U.K., WHO WERE LIMITED OFFICIAL USE

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CONSULTANTS FOR DESIGN AND CONSTRUCTION OF INITIAL BUTTERWORTH WHARVES, FOR SIXTH BERTH AND TERAS OF MALAYSIA FOR BULK CARGO TERMINAL. BANK HAS REVIEWED CONSULTANTS' QUALIFICATION AND IS AGREEABLE TO THEIR CONTINUING AS CONSULTANTS ON BANK PROJECT.

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INFO OCT-01 EA-11 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 SS-20 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

PA-04 PRS-01 USIA-15 NEA-10 IO-14 DRC-01 /170 W

----- 129559

P R 080616Z APR 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 2575

INFO AMEMBASSY BANGKOK

AMEMBASSY KUALA LUMPUR PRIORITY

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7. FOREX COMPONENT OF PROJECT COVERS EXPENDITURE FOR (A) PROCUREMENT OF IMPORTED CONSTRUCTION MATERIALS, CONSTRUCTION EQUIPMENT AND CARGO HANDLING EQUIPMENT, SUPERVISORY STAFF OF FOREIGN CONTRACTOR AND COST OF CONTRACTOR'S OVERHEADS AND PROFITS; AND (B) FOREX COMPONENT OF LOCALLY MANUFACTURED CONSTRUCTION MATERIALS SUCH AS CEMENT, MILD STEEL REINFORCING BARS, ASPHALT, FUEL AND LUBRICANTS, ETC. PREQUALIFIED CONTRACTORS TO BE SELECTED THROUGH INTERNATIONAL COMPETITIVE BIDDING IN ACCORDANCE WITH BANK'S GUIDELINES. ALL CIVIL WORKS CONTRACTS WILL BE GROUPED INTO ONE BID PACKAGE, BUT CONTRACTORS WILL BE GROUPED INTO ONE BID PACKAGE, BUT CONTRACTORS TO BE GIVEN OPTION TO BID FOR WHOLE OR PART OF PACKAGE. CIVIL WORKS CONTRACTS OF \$150,000 OR MORE AND EQUIPMENT CONTRACTS OF \$75,000 OR MORE TO BE AWARDED ON BASIS OF INTERNATIONAL COMPETITIVE BIDDING AMONG ELIGIBLE COUNTRIES, WHILE SMALLER CONTRACTS TO BE ON BASIS OF REASONABLE NUMBER OF CONTRACTORS OR SUPPLIERS FROM MORE THAN ONE ELIGIBLE COUNTRY.

8. PPC, THE EXECUTING AGENCY, WAS CREATED IN 1955 AS
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AUTONOMOUS STATUTORY BODY WITH ADMINISTRATIVE AND FISCAL AUTONOMY SUBJECT TO CERTAIN CONTROL BY MINISTER OF COMMUNICATIONS OF FEDERAL GOVT. FOR PROJECT IMPLEMENTATION, PPC WILL ESTABLISH PROJECT OFFICE HEADED BY PPC'S

CHIEF ENGINEER, WHO WILL ACT AS PROJECT MANAGER SUPPORTED BY SENIOR PORT ENGINEER. PROJECT OFFICE WILL BE ADEQUATELY STAFFED AND ASSISTED BY CONSULTANTS. PPC'S FINANCIAL PERFORMANCE HAS BEEN CONSIDERED SATISFACTORY AND ITS FINANCIAL MANAGEMENT AND CONTROL EFFECTIVE. GOVT HAS ASSURED THAT PENANG PORT FACILITIES WILL BE OPERATED ON SOUND COMMERCIAL BASIS WITH APPROPRIATE COST-RELATED TARIFF RATE STRUCTURE. PENANG PORT WILL BE INCLUDED IN GENERAL PORT TARIFF STUDY FOR ALL MAJOR PORTS IN WEST MALAYSIA TO BE UNDERTAKEN WITH PART OF PROCEEDS OF BANK'S RECENT LOAN TO MALAYSIA FOR KUANTAN PORT PROJECT.

9. ADDITIONAL CAPACITY FROM EXTENSION OF ONLY ONE BERTH AT WHARVES WILL NOT BE ABLE TO MEET NEEDS SOON AFTER COMPLETION. MASTER PLAN STUDY FOR FUTURE ORDERLY EXPANSION OF PENANG PORT'S GENERAL CARGO FACILITIES IS URGENTLY REQUIRED AND IS TO BE UNDERTAKEN UNDER AUSPICES OF SOUTHEAST ASIAN FOR REGIONAL TRANSPORT AND COMMUNICATIONS DEVELOPMENT (SEATAC), REGIONAL ORGANIZATION SET UP FOR IMPLEMENTING PROJECTS IDENTIFIED BY BANK-SPONSORED SOUTHEAST ASIAN REGIONAL TRANSPORT SURVEY. ADB PORT CONSULTANT ADVISES USADB THAT MASTER PLAN TO BE UNDERTAKEN UNDER SEATAC AUSPICES IS "FEASIBILITY STUDY" REFERRED TO IN REFTEL, WHICH WE UNDERSTAND IS TO BE FINANCED UNDER AID TECHNICAL ASSISTANCE GRANT TO SEATAC. CONSULTANT STATES THERE APPEARS TO BE NO CONFLICT BETWEEN AID-FINANCED STUDY AND BANK'S PENANG PORT LOAN PROPOSAL. BANK'S APPRAISAL MISSION TOOK NOTE OF AID'S PROPOSED STUDY AS NOTED IN PARA 57 OF APPRAISAL REPORT AND ALSO IN SIDE LETTER NO 4, PARA 3.

10. PROPOSED PROJECT CONSIDERED TO BE TECHNICALLY SOUND AND ECONOMICALLY VIABLE WITH OVERALL ECONOMIC INTERNAL RATE OF RETURN OF 17.8 PERCENT AND FINANCIAL RATE OF RETURN OF 10.6 PERCENT. PROJECT IS ACCORDED HIGH PRIORITY BY GOVT AND IS EXPECTED TO YIELD SIGNIFICANT ECONOMIC BENEFITS IN TERMS OF SAVINGS IN SHIPS TIME AND IN COSTS LIMITED OFFICIAL USE

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OF HANDLING CARGO. IT WILL ALSO ENHANCE INDUSTRIAL DEVELOPMENT OF PORT'S HINTERLAND. USADB SUPPORTS PROPOSAL AND RECOMMENDS FAVORABLE NAC ACTION.

11. REQUEST KUALA LUMPUR'S COMMENTS FOR NAC AGENCIES, INFO USADB MANILA, PURSUANT TO STATE 119795 DTD 3 JULY 1972.
SULLIVAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
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Current Classification: UNCLASSIFIED
Concepts: CONSTRUCTION, DEVELOPMENT LOANS, PORTS, FOREIGN EXCHANGE HOLDINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 08 APR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Executive Order: N/A
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